

CONVENTION ON WETLANDS (Ramsar, Iran, 1971)

53rd Meeting of the Standing Committee

Gland, Switzerland, 29 May – 2 June 2017

SC53-20

Ramsar financial matters 2016

Actions requested:

The Standing Committee is invited to:

- i. note the preliminary core budget results for 2016;
- ii. approve the proposals for the 2016 surplus and reserve fund;
- iii. consider the proposal to start the use of designated reserves for exceptional annual core budget surpluses;
- iv. note the non-core budget and voluntary contributions for 2017;
- v. note the preliminary 2016 balance sheet;
- vi. note the agreement to delay the 2016 Financial Statement audit until June 2017;
- vii. review the attached 2016 draft financial statements as of 31 December 2016;
- viii. confirm the 2018 core budget as approved at COP12; and
- ix. note that a review of old non-core balances from-projects is underway.

1. Attached at Annex 1 are the 2016 preliminary financial statements (in the required Swiss reporting format) as of 31 December 2016.
2. Attached at Annex 2 is a summary of the approved 2016 core budget (as per decision SC51-22 with agreed changes to the COP12-approved budget), preliminary income and expenditure as at 31 December 2016. These are presented in the Ramsar reporting format.

Background

3. The new Secretary General has identified a number of issues of concern regarding the management of the Secretariat finances and submitted a report to the Executive Team in 2016, which includes an Action Plan to address the issues identified. This Action Plan is currently being implemented.

4. The subsequent unexpected departure of the Finance Officer, on 2 November 2016, created a gap in capacity for the Finance Department. An interim solution is in place until the newly recruited Finance Officer starts on 15 May 2017.
5. Owing to these circumstances and the ongoing correction of issues identified, the Secretariat has included preliminary rather than final financial figures in the present document. This was agreed by the Finance Sub-group on 2 March 2017.

2016 results – core budget

6. The 2016 preliminary core budget summary attached at Annex 2 shows the approved budget, actual income and expenditure, and the variance between actuals and budget.
7. At the end of 2016, there was a preliminary core budget surplus of CHF 338,000. Table 1 below provides a summary.

Table 1: 2016 preliminary core budget surplus summary ('000 CHF, includes possible rounding differences)

Cost Centre		Comments
Income	(30)	Income Tax (53)k, Interest Income 23k
Senior Management	73	Salary and Benefits
Partnership Coordinator	64	Salary and Benefits
Regional Advice and Support	81	Salary and Benefits 61k, Travel 20k
Communications	104	Salary and Benefits 86k
Administration	141	Salary and Benefits 85k, Staff hiring and departure costs 48k
Other	21	
Subtotal	454	<i>Surplus before provisions</i>
KMISC, Provisions and Other		
Accruals	(169)	
Provisions and exchange loss	24	
Legal and Professional Services	29	
Subtotal	(116)	<i>Provisions and Other</i>
Total	338	<i>Overall surplus</i>

8. The following points are highlighted for the Standing Committee's information:
 - a. Income was generally as budgeted except for income tax, which was CHF 53,000 under budget and only partially offset by an increase in interest income of CHF 23,000. The reduction of income tax was due to staffing gaps during the year.
 - b. Overall salary costs were CHF 377,000 under budget (12% under budget). This was due to the delayed filling of vacant positions (the Secretary General, Head of Partnerships, Head of Communications and Finance Officer).
 - c. No IUCN-imposed cost-of-living increases have come into effect since 2011.

- d. K.MISC, Provisions and Other were over budget, mainly as a result of preliminary accruals of CHF 169,000. These accruals are being reconciled to identify which budget lines they should be charged to and to confirm the total amount.
- e. Allocations of CHF 277,000 were made from the core budget to non-core projects related to Ramsar Regional Initiatives, RSIS and website redevelopment, and STRP implementation. These transfers have been carried out during the last years without clear reporting. The Secretary General included the need to review this practice in her report of October 2016 to the Executive Team. The total allocations for 2014 and 2015 are included in the “Transfer between core and projects” line of the audited income statements. Table 2 below provides a summary of allocations from the core budget from 2014 to 2016. A proposed new approach is outlined below at paragraph 12.

Table 2: Allocations from the core budget to non-core projects 2014 – 2016 ('000 CHF, includes possible rounding differences)

Description	2014	2015	2016
Regional Initiatives	120	107	120
RSIS redevelopment	90	80	47
Web redevelopment	30	60	70
STRP implementation	30	40	40
Total	270¹	287²	277

Proposal for the 2016 surplus and reserve fund

9. At its 51st meeting (SC51, 2015), the Standing Committee decided in decision SC51-22 to set aside CHF 278,000 in item K of the 2016 budget for reserve fund provisions. After setting aside this amount, the preliminary overall core surplus was CHF 338,000 at the end of 2016.
10. The Secretariat proposes to allocate CHF 112,000 of the 2016 surplus to replenish the reserve fund to the target maximum level of 15% of the annual core budget in line with Resolution XII.1.
11. The Secretariat also proposes to set up a designated reserve for the remaining balance of the 2016 surplus (CHF 226,000) and is in the process of preparing proposals for allocation of this preliminary excess reserve. These will cover areas such as additional staffing needs approved by the Executive Team (part time Accounting Assistant, under discussion with IUCN, and a Legal Advisor on Convention matters to be retained through a contract of services), covering staffing gaps and building capacities and skills to ensure effective operations of the Secretariat. These proposals will be presented at SC53.

¹ Amount reported as “Total transfer between core and projects” in the Ramsar 2014 audited income statement.

² Amount reported as “Total transfer between core and projects” in the Ramsar 2015 audited income statement.

Proposal for 2017 to start the use of designated reserves for exceptional annual core budget surpluses

12. The Secretariat proposes to discontinue the practice of making allocations from core to non-core projects, to enhance efficiencies in the execution of the budget and to put in place a clear and transparent mechanism for exceptional circumstances when there are core budget surpluses that need to be used for specific purposes after the end of the year. IUCN has discontinued the practice of making allocations from core to non-core projects and now uses designated reserves for core budget surpluses. The Secretariat is also in the process of checking the practices followed by other Conventions for core budget surpluses and will provide further information at SC53.

2016 results: non-core budget and voluntary contributions

13. The United States of America made voluntary contributions totalling CHF 1,142,233 (USD 1,150,000) in 2016: CHF 1,065,799 for the Secretariat core budget and CHF 76,434 for non-core projects through the Wetlands for the Future Fund.
14. Voluntary contributions of CHF 13,000 were received in 2016 from Contracting Parties in the Africa region, relating to 2016 and previous years. Resolution X.2, paragraph 23 stipulates that these contributions must be specifically earmarked for African Regional Initiatives.
15. An additional CHF 703,00 of voluntary non-core contributions were received in 2016. These contributions are outlined in Table 3 below.

Table 3: Additional voluntary non-core contributions received in 2016 ('000 CHF, includes possible rounding differences)

Donor	Amount	Comments
Danone	271	
Switzerland (FOEN)	120	
MAVA	124	
Japan (NEF)	92	
Canada	28	COP12 delegate support
Norway	36	
WWF International	22	
Hans Seidel Foundation	5	
Other adjustments	5	
Total	703³	

16. In addition, Star Alliance provided flight tickets with a total value of CHF 19,000 (EUR 18,000).
17. The Secretariat would like to express its sincere appreciation to Contracting Parties and donors for voluntary contributions to non-core activities of the Convention.

³ Voluntary cash contributions amount for 2016 before deducting CHF 80 k for the return to Uruguay of prior year contributions for COP12 funding.

18. The budget approved at COP12 anticipated voluntary non-core contributions of CHF 4.2 million over the triennium to fund the priority activities for 2016-2018 (see Annex 5). It should be noted that the former position of Head of Partnerships was vacant during 2016 and a revised position of Head of Resource Mobilization and Outreach is currently being recruited.

2016 balance sheet

19. Annex 1 shows the preliminary balance sheet as at 31 December 2016. The Secretariat had an overall Swiss-franc-equivalent cash balance of CHF 4,569,000, with 48% held in Swiss francs, 24% in US dollars, 17% in euros and 11% in Norwegian krone.
20. When taken together, the cash contributions and accounts receivable were sufficient to cover all of the Secretariat's obligations at the end of 2016.
21. The level of outstanding Contracting Party contributions diminished in 2016. For further discussion on this issue, please see Document SC53-21.

Delay of the 2016 Financial Statement audit

22. On 2 March 2017 the Subgroup on Finance agreed with the Secretary General's request to delay the 2016 Financial Statement audit until June 2017 and present preliminary figures at SC53 for the following reasons:
 - to address and correct issues highlighted in the 2015 PwC Management Letter;
 - to resolve the backlog caused by the departure of the Finance Officer;
 - to complete the ongoing clean-up of accounts as outlined in the Action Plan and update reported to the Executive Team; and
 - to allow the new Finance Officer to be involved in the audit process (a candidate has been selected and is due to start work on 15 May 2017).
23. The auditors PwC have indicated that it is better to delay the audit and for the Ramsar Secretariat to be ready, rather than to repeat the delays in preparation and financial statement changes experienced during the 2015 audit.

Core budget for 2017

24. Attached at Annex 3 is the COP12-approved core budget for 2017, which was confirmed by Decision SC52-30.
25. The Secretary General does not propose any major changes to the core budget for 2017. However, she may make adjustments to enable the effective management of the Secretariat to deliver on the refocused Work Plan and to respond to the Contracting Parties requests (for example adjustments of travel expenses between departments).

Confirmation of the 2018 core budget

26. As noted in Document SC53-21 on *Update on Outstanding Annual Contributions*, the Secretariat is no longer in a financial situation that would necessitate an austerity budget for 2018, and the Executive Team thus agreed on 23 February 2017 to maintain the 2018 budget approved at COP12. The Standing Committee is invited to confirm the 2018 budget as approved at COP12 and attached at Annex 4.

Review of old non-core projects

27. The Secretariat is in the process of reviewing old balances from non-core projects. This issue was identified in the Secretary General's report presented to the Executive Team in October 2016. On 23 February 2017, the Executive Team agreed with the approach to go back a maximum of ten years in this review. An update of the status and findings of the review will be presented at SC53.
28. A major component of this review includes the issue of a considerable balance of old projects that had been closed and included in the "Admin" non-core project balance. The balance is being analysed and broken down into groupings so that decisions can be made regarding funds that may need to be reported to donors for decision on their use and remaining funds that could be available for use with approval from the Executive Team or Standing Committee as appropriate. An update will be provided at SC53.

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Annex 1

Preliminary financial statements as of 31 December 2016 (Swiss reporting format) (includes possible rounding differences)

BALANCE SHEET AS OF 31 DECEMBER

<i>in thousands of Swiss Francs (CHF '000s)</i>	Notes	Preliminary 2016	2015
ASSETS			
Current assets			
Cash and short term bank deposits		4,569	4,652
Contracting Party Receivables (net)	6	620	658
Other account receivables	7	131	88
Total current assets		5,320	5,398
Fixed assets (net)			
Office Furniture and Computer Equipment at cost		84	82
Less: Accumulated Depreciation	9	(63)	(48)
Total non-current assets		21	34
TOTAL ASSETS		5,341	5,432
LIABILITIES AND FUND BALANCES			
Current liabilities			
Amount owed to IUCN		264	775
Other Payables	8	753	630
Accrued liabilities		435	293
Total current liabilities		1,453	1,698
Provisions			
Staff repatriation	5	124	124
Staff leave	5	100	165
Staff termination	5	89	227
Total provisions		313	516
Fund and Reserves			
Unrestricted reserve fund	11	988	372
Restricted Projects	12	2,587	2,846
Total fund and reserves		3,575	3,218
TOTAL LIABILITIES AND FUND BALANCES		5,341	5,432

Annex 1, Appendix A: Projects Financed by Restricted Funds, 1 January to 31 December 2016 ('000 CHF, includes possible rounding differences)

		Balance (deficit) at 31 December 2015	Income during 2016	Expenditure during 2016	Project Transfers and Cross charges	Balance (deficit) at 31 December 2016
		(DR)/CR	(DR)/CR	(DR)/CR	(DR)/CR	(DR)/CR
International Cooperation						
R100159	SGF-2009	60	-	-	-	60
R100160	SGF 2010	53	-	-	-	53
R100161	SGF-2011	39	0	(16)	-	23
R100163	SGF-2013	28	0	(27)	-	1
R100263	SGA-2013	17	-	-	-	17
R100266	SGA-2016	-	120	(42)	-	78
R100350	WFF-Exchange	87	-	(83)	-	4
R100356	WFF-2006	-	-	(0)	-	(0)
R100362	WFF-2012	128	0	(23)	-	105
R100363	WFF-2013	(17)	-	-	-	(17)
R100364	WFF-2014	97	-	-	-	97
R100365	WFF - 2015 & 2016	84	76	-	-	160
R100407	RI Central Asia (Norway)	9	-	(6)	-	3
R100408	Nagao Wetland Fund (NEF Japan)	-	92	(0)	-	91
R100809	Danone Ecole de l'eau	21	-	-	-	21
R100814	Danone 2014	30	-	-	-	30
R100819	Danone Spring	10	-	-	-	10
Total of International Cooperation		647	289	(198)	-	737
Listed Sites						
R100110	RAM	60	47	(17)	-	90
Total of Listed Sites		60	47	(17)	-	90
Other						
R100100	Admin	625	6	122	75	828
R100102	RSIS redevelopment	102	11	(83)	47	77
R100103	Web redevelopment	53	0	(61)	70	62
R100104	Development	10	0	2	-	11
R100105	Science Review	33	-	-	-	33
R100106	Strategic Plan 2016	18	-	(0)	-	18
R100107	SC48 translation/interpretation	18	-	14	(32)	-
R100108	COP12 Translation (FOEN-CH)	59	-	(14)	-	45
R100109	SC51	6	-	(10)	4	-
R100111	2015 Surplus	-	-	(8)	-	(8)
R100190	Water cycle	11	-	-	-	11
R100210	WA Urbanisation	16	-	-	-	16
R100310	Americas - Admin	-	-	(1)	-	(1)
R100311	Rio Cruces	197	-	(88)	-	110
R100402	Bhutan	(10)	-	-	-	(10)
R100403	AIT/JAPAN/MYANMAR	2	-	-	-	2
R100404	KOREA/WETLAND CENTRES	3	-	-	-	3
R100405	RI Central Asia (Japan)	4	-	(3)	-	1
R100406	WWF Grant, WWD Korea	(7)	5	(1)	1	(1)
R100622	COP11 - RMAfrica	7	-	-	(7)	-
R100630	COP12 Admin budget	128	(80)	(7)	(40)	-
R100631	COP - Delegate Support	(28)	28	-	-	-
R100815	Danone 2015	6	-	(16)	3	(6)
R100816	Danone 2016	(5)	271	(154)	-	112
R100902	STRP 2009-2011	11	-	-	-	11
R100903	STRP 2013-2015	113	-	-	-	113
R100904	STRP 2016-2018	-	-	(10)	40	30
R100910	TEEB	39	-	-	-	39
R101000	SSFA, Expert Group on Water Cycle	26	-	-	(5)	21
R101001	WCMC, Online National Report Forma	57	-	(8)	(24)	25
R101002	NORAD 2015	453	0	(277)	-	176
R101003	MAVA 13-32	70	125	(129)	-	65
R101004	UNEP, Law and Environment Outlook	-	-	(3)	-	(3)
R101005	Wetlands Extent Trends (WET) Index	-	-	-	24	24
Total of Other		2,016	365	(737)	156	1,801
Regional Initiatives						
R100132	RI - WACOWET	49	1	-	-	50
R100133	RI - CARWET	26	0	(30)	-	(4)
R100135	RI - Mangrove	9	-	(0)	-	9
R100137	RI - East Africa Centre	27	-	-	-	27
R100138	RI - Niger River Basin Network	8	-	(8)	1	-
R100139	RI - Carpathian Wetlands Initiative	3	-	(3)	-	-
R100141	RI - Black and Azov Sea Coast	3	-	(3)	-	-
R100142	RI - Amazon River Basin	-	-	-	30	30
R100143	RI - Central Asia	-	-	(18)	30	12
R100144	RI - Indo-Burma	-	-	-	30	30
R100145	RI - Senegal River Basin	-	-	(18)	30	12
R100200	AVC, African Regional Initiatives	-	12	-	-	12
Total of Regional Initiatives		123	13	(80)	121	177
Grand Total	Accruals	-	-	(220)	-	(220)
Grand Total		2,846	714	(1,252)	277	2,585

Annex 2

Preliminary 2016 core results, with SC51 changes to COP12 approved budget, actuals and variance from approved budget (includes possible rounding differences)

Ramsar Combined Budget, 2016, SC51 Approved	Approved Budget	Preliminary Actual	Variance
CHF 000'S			
INCOME			
Parties' Contributions	3,779	3,779	(0)
Voluntary contributions	1,065	1,066	1
Income Tax	225	172	(53)
Income Interest	12	35	23
TOTAL INCOME	5,081	5,051	(30)
EXPENDITURES			
A. Secretariat Senior Management	605	532	73
Salaries and social costs	554	486	67
Other employment benefits	26	13	13
Travel	25	32	(7)
B. Partnership Coordinator	64	0	64
Salaries and social costs	47	0	47
Other employment benefits	17	0	17
Travel		0	0
C. Regional Advice and Support	1,342	1,261	81
Salaries and social costs	1,201	1,152	49
Other employment benefits	56	44	12
Travel	85	65	20
D. Support to Regional Initiatives	120	120	0
Regional networks and centers	120	120	0
E. Scientific and Technical Services	212	187	25
Salaries and social costs	110	112	(2)
Other employment benefits	2	0	2
Travel	10	10	0
STRP implementation	40	40	0
STRP meetings	50	25	25
F. Communications	569	465	104
Salaries and social costs	434	348	86
Other employment benefits	0	0	0
Travel	5	5	(0)
CEPA Program	30	29	1
Comms, Translations, Publications and Reporting Implementatio	100	82	18
G. Administration/RSIS/Web	981	841	141
Salaries and social costs	629	539	90
Other employment benefits	5	10	(5)
Staff hiring and departure costs	120	72	48
Travel	10	2	8
Ramsar Sites Information Service (maintanance and develop)	117	117	0
Web/IT support and Development	100	100	0
H. Operating Costs	95	93	2
General	80	80	(0)
Equipment/Office Supplies	15	13	2
I. Standing Committee Services	165	176	(11)
Standing Committee delegates' support	50	57	(7)
Standing Committee meetings	15	27	(12)
SC translation	60	53	7
Simultaneous interpretation at SC meetings	40	40	0
J. IUCN Administrative Service Charges (maximum)	540	536	4
Administration, Human Resources, Finance & IT services	540	536	4
K. Miscellaneous - Reserve Fund	388	504	(116)
Reserve Fund	278	278	0
Accruals		169	(169)
Provisions and exchange losses	50	26	24
Legal & Professional Services not listed above	60	31	29
TOTAL EXPENDITURES	5,081	4,713	367
TOTAL SALARY COSTS – staff salaries and related costs	3,081	2,704	
	61%	57%	
TOTAL TRAVEL COSTS	135	114	
	3%	2%	
SURPLUS/(DEFICIT)		338	338

Annex 3
COP12-approved 2017 budget, CHF 000s

CHF 000'S	FINAL
INCOME	CHF 000'S
Parties' Contributions	3,779
Voluntary contributions	1,065
Income Tax	225
Income Interest	12
TOTAL INCOME	5,081
EXPENDITURES	
A. Secretariat Senior Management	798
Salaries and social costs	674
Other employment benefits	79
Travel	45
B. Partnership Coordinator	250
Salaries and social costs	188
Other employment benefits	52
Travel	10
C. Regional Advice and Support	1,342
Salaries and social costs	1,201
Other employment benefits	56
Travel	85
D. Support to Regional Initiatives	120
Regional networks and centers	120
E. Scientific and Technical Services	212
Salaries and social costs	110
Other employment benefits	2
Travel	10
STRP implementation	40
STRP meetings	50
F. Communications	569
Salaries and social costs	434
Travel	5
CEPA Program	30
Comms, Translations, Publications and Reporting Implementation	100
G. Administration/RSIS/Web	896
Salaries and social costs	629
Other employment benefits	5
Staff hiring and departure costs	25
Ramsar Sites Information Service (maintanance and develop)	117
Web/IT support and Development	120
H. Operating Costs	95
General	80
Equipment/Office Supplies	15
I. Standing Committee Services	150
Standing Committee delegates' support	45
Standing Committee meetings	10
SC translation	60
Simultaneous interpretation at SC meetings	35
J. IUCN Administrative Service Charges (maximum)	540
Administration, Human Resources, Finance & IT services	540
K. Miscellaneous - Reserve Fund	110
Provisions	50
Legal Services	60
TOTAL EXPENDITURES	5,081
TOTAL SALARY COSTS – staff salaries and related costs	3,429
	67%
TOTAL TRAVEL COSTS	155
	3%

Annex 4
COP12-approved 2018 budget, CHF 000s

CHF 000'S	FINAL
INCOME	CHF 000'S
Parties' Contributions	3,779
Voluntary contributions	1,065
Income Tax	225
Income Interest	12
TOTAL INCOME	5,081
EXPENDITURES	
A. Secretariat Senior Management	798
Salaries and social costs	674
Other employment benefits	79
Travel	45
B. Partnership Coordinator	250
Salaries and social costs	188
Other employment benefits	52
Travel	10
C. Regional Advice and Support	1,342
Salaries and social costs	1,201
Other employment benefits	56
Travel	85
D. Support to Regional Initiatives	120
Regional networks and centers	120
E. Scientific and Technical Services	212
Salaries and social costs	110
Other employment benefits	2
Travel	10
STRP implementation	40
STRP meetings	50
F. Communications	569
Salaries and social costs	434
Travel	5
CEPA Program	30
Comms, Translations, Publications and Reporting Implementation	100
G. Administration/RSIS/Web	896
Salaries and social costs	629
Other employment benefits	5
Staff hiring and departure costs	25
Ramsar Sites Information Service (maintanance and develop)	117
Web/IT support and Development	120
H. Operating Costs	95
General	80
Equipment/Office Supplies	15
I. Standing Committee Services	150
Standing Committee delegates' support	45
Standing Committee meetings	10
SC translation	60
Simultaneous interpretation at SC meetings	35
J. IUCN Administrative Service Charges (maximum)	540
Administration, Human Resources, Finance & IT services	540
K. Miscellaneous - Reserve Fund	110
Provisions	50
Legal Services	60
TOTAL EXPENDITURES	5,081
TOTAL SALARY COSTS – staff salaries and related costs	3,429
	67%
TOTAL TRAVEL COSTS	155
	3%

Annex 5**2016-2018 budgeted non-core expenditures (Annex 3 of Resolution XII.1)**

No.	NON-CORE FUNDS 2016 – 2018	3 Year Funding Requirement (CHF)
1	Ramsar Advisory Missions for Parties requiring assistance	600,000
2	STRP 2016-2018 programme of work support	300,000
3	RSIS, IM/IT (Website) Continuing Development	175,000
4	Pre-COP13 regional meetings (delegates support and meeting costs for preparatory meetings)	650,000
5	COP13 (2018) sponsorship to eligible delegates	600,000
6	Arabic language introduction and translation support	250,000
7	Small Grants Funds for protection and wise use of wetlands	1,000,000
8	Regional Initiative Networks and Centres support (priority activities).	150,000
9	Ramsar CEPA Programme (2016-2021), exclusion of World Wetlands Day	300,000
10	On-line system for National Reports, reporting and indicators development	175,000
	TOTAL	4,200,000